

LOCAL TRANSFERABILITY OF FEDERAL FUNDS Updated Guidelines

The No Child Left Behind Act (NCLB) increases the flexibility with which districts may use their federal funds. NCLB authorizes a district not identified as in need of improvement or corrective action under Title I to transfer up to 50 percent of its formula allocation among certain federal programs. **Districts that have been identified for improvement under Title I, Part A may transfer up to 30 percent of its formula allocation among certain federal programs.**

1. Among which programs may I transfer funds?

You may transfer funds **FROM** each of these programs:

- Title II-A Teacher Quality
- Title II-D Education Technology
- Title IV Safe and Drug-Free Schools
- Title V Innovative Programs

TO any of these programs:

- Title I, Part A
- Title II-A Teacher Quality
- Title II-D Education Technology
- Title IV Safe and Drug-Free Schools and Communities
- Title V Innovative Programs

Note: Districts may transfer funds into Title I, but may not transfer funds from Title I.

2. What steps must a district take before transferring funds?

Before transferring funds, a district must --

- 1) Conduct consultations in accordance with section 9501 of the ESEA in order to provide for the equitable participation of private school students and staff;
- 2) Determine the program(s) from which funds are to be transferred and to which funds will be transferred;
- 3) Determine the amount, and federal fiscal year, of funds to be transferred by fiscal year (subject to the 50 percent or 30 percent limitation);
- 4) Establish the effective date for the transfer;
- 5) As appropriate, modify each affected local plan or application to reflect the transfer; and
- 6) Notify KDE of the transfer at least 30 days before the effective date of the transfer. (If a district modifies a local plan as a result of a transfer, the district also must submit to KDE, within 30 days after the transfer, a copy of its revised local plan.)

3. If I transfer funds, what program requirements will apply?

Transferred funds become funds of the program to which they are transferred and are subject to all the rules and requirements of the programs to which the funds are transferred. For example, statutory provisions that establish specific set-asides governing the uses of funds apply to funds an LEA transfers under the transferability authority. In transferring funds, an LEA should recognize that a transfer could affect set-aside amounts in both the program(s) from which the LEA transfers funds and the program(s) to which the LEA transfers funds.

Transferred funds are subject to all of the rules and requirements of the program to which the funds are transferred, including any statutory set-asides. Below are examples of statutory set-aside provisions affecting transferred funds.

Title I, Part A

- Transportation and supplemental services (ESEA § 1116(b)(10)) if an LEA has schools covered by the choice and supplemental services requirements
 - 5 percent for choice-related transportation
 - 5 percent for choice-related supplemental services
 - 10 percent for transportation, supplemental services, or both
- Professional development for LEAs identified for improvement (ESEA § 1116(c)(7)(A)(iii))
 - at least 10 percent
- Family literacy and parenting skills (ESEA § 1118(a)(3)(A))
 - at least 1 percent, with exception for small LEAs
- Professional development (ESEA § 1119(l))
 - 5 to 10 percent of FY 2002 and 2003
 - at least 5 percent in subsequent years
- Carryover limitation (ESEA § 1127)
 - 15 percent
- 125 percent rule (ESEA § 1113(c)(2))
 - per-pupil school minimum, except if LEA only serves schools at 35 percent poverty or greater (with additional exception).

Title II, Part D (Ed Tech)

- Professional development (ESEA § 2416(a))
 - 25 percent of award

Title IV, Part A (Safe and Drug-Free Schools and Communities)

- LEA cap on administrative funds (ESEA § 4114(a)(2))
 - 2 percent of award
- Carryover limitation (ESEA § 4114(a)(3)(B))
 - 25 percent of award
- Security cap (ESEA § 4115(c))
 - Maximum of 40 percent of LEA's allocation
 - Maximum of 20 percent for non-personnel costs

4. When may I transfer funds and how many transfers may I make?

There are no statutory limitations on the number of times a district may transfer funds into, or from, an individual program during a fiscal year. However, each transfer should be made only after the district has engaged in thorough and careful planning.

6. My district has been identified for improvement; can I transfer funds?

Yes, However, a district identified for improvement may transfer no more than 30 percent of the funds allocated to it for a given fiscal year under each of the applicable programs. Once a district has been identified for improvement, any subsequent fund transfers must be consistent with the 30 percent limitation, **and all transferred funds must be used for improvement activities.**

7. My district has been identified for corrective action; can I transfer funds?

No, a district identified for corrective action may not transfer funds. Once a district has been identified for corrective action, it may not transfer any funds during the period it is in corrective action status.

8. What are the Revenue Codes to be used in the MUNIS expenditure reports?

Revenue Codes used in the **TO** program: *(for example: You are transferring \$2,000 from Title IV to Title V. the appropriate code to use in the Title V program would be 5233, indicating that the funds were transferred into Title V from Title IV.)*

Title II A Teacher Quality – **5231**

Title II D Education technology – **5232**

Title IV Safe and Drug-free Schools – **5233**

Title V Innovative Programs – **5234**

Revenue Codes used in the **FROM** program: *(for example: You are transferring \$2,000 from Title IV to Title V. The appropriate code to use in the Title IV program would be 5245, indicating that the funds were transferred to Title V.)*

Title I – **5241**

Title IIA Teacher Quality – **5242**

Title IID Education Technology – **5243**

Title IV Safe and Drug-Free Schools – **5244**

Title V Innovative Programs – **5245**

Note: Districts may transfer funds into Title I, but may not transfer funds from Title I.

9. How will the transfer be handled in MUNIS?

When a district determines a need to transfer funds within the pool, a budget amendment (TYPE 3) will be made. The object code that is chosen for the grant receiving the funds will be from the 5230 series. The object code for the grant transferring the funds will be from the 5240 series.

Example: District has original allocation from Title I of \$500,000 and from Title II of \$200,000. District wishes to transfer \$100,000 from Title II – Teacher Quality to Title I:

A budget amendment would be made (**Must be Type 3**):

INCREASE	220	5231 310X	NCLB Transfer from Title II	100,000
DECREASE	220	5241 401X	NCLB Transfer to Title I	100,000

Then the district must adjust the expenditure budgets in each grant to balance each grant's budget.

After the transfer the revenue budgets of each grant look like this:

Title I

220	4500	Restricted Federal Revenue	500,000
220	5231	Transfer from Title II	100,000

Total Revenues	600,000
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Title II-Teacher Quality

220	4500	Restricted Federal Revenue	200,000
220	5241	Transfer to Title I	100,000

Total Revenues	100,000
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10. How do I modify my comprehensive district improvement plan to show I am transferring dollars to another program?

Within 30 days of the submission of the transfer form, the district must provide KDE with a modified comprehensive district improvement plan. Modify the budget by increasing the program budget to which funds were transferred by an amount that corresponds to the decrease in the budget of the program from which funds were transferred. Since transferred funds are subject to the rules and requirements of the program to which they were transferred, you may also need to amend your plan to show any programmatic changes.

11. How does the district get reimbursement for these funds?

The original allocation for each program will not change. If funds are drawn by “federal cash request,” you cannot request more than your original allocation for each program. Therefore, you will need to request the funds on the “federal cash request” by the original program. Remember that your original allocations to each of these grants do not change. If the district chooses to make any transfers they should remember that when making cash requests for these grants you must request from the correct grant.

Using the example in #9: The district's original allocation for Title I was \$500,000. The district can only request reimbursement from Title I for \$500,000. The additional \$100,000 that was transferred will be a request to Title II, even though the \$ were spent by Title I.

12. What if I have a private school participating in the program I want to transfer?

In accordance with the General Provisions, Section 9501, consultation with private school officials is required if the transferred funds involve private school participation. If the private school does not agree to the transfer, the district must allocate the per pupil amount to the private school based on 100 percent of the original program allocation.

13. Where do I get the Transfer Amendment form?

The Transfer Amendment form can be downloaded at the following website:

<http://www.education.ky.gov/KDE/Administrative+Resources/Finance+and+Funding/Budgets/NCLB+Transferability.htm>.

14. I have completed the form, what is my next step?

The finance officer originates a "Transfer Amendment" and forwards it to the superintendent or his/her designee for submission via email to the Kentucky Department of Education. ***Unless there is a problem with the transfer amendment, the amendment is approved upon receipt.*** You will be contacted if there is a problem.

To submit a Transfer Amendment via **email** to the Kentucky Department, of Education, the district must:

1. Set up a folder in email of the superintendent or designee for "Transfer Amendments" since only the superintendent or designee may submit transfer amendments to KDE.
2. Send the email to *Becky Stoddard* at <mailto:becky.stoddard@education.gov> or select her name from the Global Exchange.
3. Copy the email to the district program coordinator as well as any other appropriate persons in the district.
4. In the subject line of the email, type "Transfer Amendment."
5. In the message box of the email, attach the transfer amendment.
6. Email the transfer amendment to the KDE contact (Becky Stoddard). The contact will forward the email amendment to the appropriate program staff at KDE for review.
7. Update the comprehensive district improvement plan and the affected MUNIS program budgets to reflect the changes in the approved amendment. **The following quarter's MUNIS expenditure report must reflect the changes.**

15. Whom do I call if I have questions?

You may call Becky Stoddard or Darryl Thompson at 502-564-1979.